

17 AUG 1981

OS REGISTRY

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MEMORANDUM FOR: Chief, Security Staff
Office of Logistics

FROM:

Policy and Plans Group/OS

SUBJECT: Foreign Ownership Policy

REFERENCE: Memorandum from D/OL, same Subject, dated
4 August 1981

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1. By reference, the Director of Logistics requests the Director of Security to develop security policy guidelines covering foreign ownership in matters of classified procurement requirements.

2. Attached for your information is a policy statement issued 21 April 1981 by the DDCI as Acting Chairman of the National Foreign Intelligence Board concerning control of Sensitive Compartmented Information (SCI) released to contractors or consultants and to companies under foreign ownership/dominance. This policy, however, does not cover collateral classified material which needs to be addressed.

3. In paragraph 3 of reference, a notation is made of Department of Defense (DoD) regulations providing for the approval of American contractor facilities under Canadian or United Kingdom ownership when certain criteria can be met. In order to develop a policy strawman, it would be appreciated if the referenced criteria in DoD regulations could be furnished to assess what applicability they may have to Agency requirements in the collateral arena. This policy strawman would then be circulated for appropriate coordination.

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Attachment

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OS/P&M/PPG (17 August 1981)

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21 APR 1981

MEMORANDUM FOR NATIONAL FOREIGN INTELLIGENCE BOARD

SUBJECT: Policy Concerning Control of Sensitive Compartmented
Information (SCI) Released to Contractors or Consultants and
to Companies Under Foreign Ownership/Dominance

1. This memorandum establishes policy for releasing SCI to contractors or consultants which may be subject to foreign ownership, control or influence.

Contractor companies under foreign ownership, control or influence will generally be ineligible for access to SCI activities and information. Foreign ownership, control or influence in this instance means that foreign interests own five percent or more of a contractor's voting stock, or they are able through lesser holdings to control or influence the appointment and tenure of the contractor's managing officials. The responsible SIO may waive this provision, however, if a review of the circumstances determines that the following conditions apply: the foreign ownership, control or influence does not involve Communist countries or countries otherwise inimical to the United States, and the foreign interests do not have the right to control or influence the appointment or tenure of a contractor's managing officials. Before a waiver is granted, provision must be made to ensure that security safeguards exist to prevent disclosure of SCI-controlled information to any non-U.S. owners and managing officials. Should foreign ownership increase beyond five percent during the course of a contract, a review of the contractor's eligibility for continued access will be made by the responsible SIO.

2. This policy shall be incorporated as written into DCID 1/19 when it is revised.

/s/ B. R. Inman

B. R. INMAN
Admiral, U. S. Navy
Acting Chairman